India in Afghanistan: Understanding Development Assistance by Emerging Donors to Conflict-Affected Countries

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Changing Landscape of Assistance to Conflict-Affected States: Emerging and Traditional Donors and Opportunities for Collaboration Policy Brief # 10

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Introduction

India is increasingly becoming an important donor also to conflict-affected countries. Indian development assistance is important to understand, since India is the world’s third largest economy in purchasing power parity terms (PPP), one of the fastest-growing countries in the world, and has an expanding development assistance program. In U.S. dollar terms, India’s foreign aid program is not as large as that of traditional donors or as large as that of other emerging donors such as its neighbor China. Yet, a purely dollar-focused comparison of Indian aid underestimates the comparative advantage of Indian aid, both in PPP terms, as well as in terms of cultural affinity and sustainability particularly for neighboring countries.

Since the majority of traditional donors, such as the United States, distribute assistance through the donor country’s citizens and contractors, often using materials sourced from the donor country, a U.S. dollar (USD) of aid “buys” significantly less of American goods and services than does the U.S. dollar equivalent of aid from emerging donors such as India. As seen in figure 1, Indian aid (grants and loans) in 2015-16 totaled approximately USD 1.36 billion. Yet in PPP terms it totaled over USD 5 billion – equivalent to approximately USD 4.6 billion of Canadian aid and significantly more than the USD 2.76 billion of Australian aid during 2015 in PPP terms. Moreover, even the PPP estimates of Indian aid underestimate its value to the local recipient, particularly with regards to technical assistance and training. When the U.S. provides aid in the form of technical training, bureaucrats from recipient states are trained at U.S. universities and institutes at market rates. On the other hand, Indian aid in the form of tuition for training at Indian public institutes can “cost” as little as USD 20 for a four-week training program. This is largely because Indian public institutes have extremely low tuition rates and because some of the rates negotiated by the Indian government with public institutions date back to the 1970s.
Indian aid is therefore often a significantly better value for money than aid from traditional donors, making it important to understand for traditional donors as well as recipient countries.

Figure 1: Indian development assistance commitments (grants & loans only) in current U.S. dollars and in PPP terms, 1997/98 – 2016/17.

![Figure 1: Indian development assistance commitments](image)

Source: Indian Development Cooperation Research (IDCR) at the Centre for Policy Research, New Delhi.

Indian development cooperation, like that of many other rising donors, builds on lessons from its own and ongoing. However, unlike traditional donors, it does not differentiate between conflict-affected, post-conflict, and stable developing countries. This is because of its own development experience as a country that has continued to face internal conflict in parts of the state since its independence seventy years ago. This fundamentally different outlook on development and development assistance explains India’s early and continued engagement in development cooperation in conflict-affected states such as Afghanistan.

Indian development assistance to conflict-affected countries is particularly important to understand because Indian aid does not have the same high aid delivery costs, such as high security overheads, that traditional donors do. The difference in approach and lower aid delivery costs provides India as well as other emerging donors, with a comparative advantage in assisting reconstruction and development in conflict-affected countries. It also underscores why development assistance by traditional donors would go further and prove more sustainable if they joined forces with emerging donors to deliver more assistance for each dollar pledged – an outcome that would create a win-win for all three parties.
This policy brief analyzes Indian development assistance to Afghanistan, arguing that India has a significant comparative advantage in aid delivery and that traditional donors such as the United States could greatly benefit from increasing their collaboration with India in delivering aid to Afghanistan. Today, Afghanistan is the second-largest recipient of Indian aid. India is also the fifth largest donor to Afghanistan and the largest regional donor. As seen in figure 2, India provided over half a billion dollars in development assistance to Afghanistan in PPP terms in 2015/16 – a significant amount at a time when traditional donors have been decreasing their aid to Afghanistan and delivery of aid project had become more costly and difficult due to rising insecurity.

By analyzing Indian development assistance to Afghanistan, this policy brief addresses four main questions. First, this analysis illustrates that India’s increased involvement in conflict-affected states like Afghanistan is reflective of specific domestic concerns as well as an overall increase in India’s development partnerships since the early part of this century. Second, Indian aid does not differentiate between development assistance to conflict and non-conflict affected states, since from the Indian perspective most developing countries experience internal conflict. Thus, Indian assistance to countries such as Afghanistan does not differ significantly from its assistance to countries that have experienced less conflict such as Bhutan. Third, it also prides itself on having “demand-driven” development assistance without explicit conditionalities – aid that is requested by the recipients rather than determined by the donors and has no specific “conditions” that need to be met by the recipient government before disbursement.” Fourth, since Indian assistance to conflict-affected countries differs from that of traditional donors in its approach and lower costs, countries like India are rapidly attaining a comparative advantage in aid delivery to conflicted affected states. Fifth, given the advantages countries like India have in delivering aid in conflict affected states, it would behoove traditional donors to engage with emerging donors to better deliver aid to developing countries struggling with conflict and insecurity.

After providing an overview of India’s development partnership with Afghanistan, this policy brief analyzes the reengagement with Afghanistan since 2001. Next, it examines whether there has been a change in the nature of India’s engagement since 2014, when elections led to a change in government both in India and Afghanistan and the political calculus outside and inside of Afghanistan changed with the decreased presence of international troops. Finally, it provides examples of triangular cooperation between India and traditional donors in Afghanistan.
India in Afghanistan up to 2001

Though India has provided over USD 2 billion of development assistance (in 2017 prices) to Afghanistan since 2001, its development partnership with Afghanistan dates back decades earlier and was built on centuries of common history prior to India’s 1947 independence. Both countries already had a close relationship during the independence movement in India under Mahatma Gandhi and a similar nationalist Frontier Congress movement in the Pashtun areas straddling what today is Afghanistan and Pakistan under Abdul Ghaffar Khan, or “Frontier Gandhi.” Though India’s independence and partition meant that India no longer shared a border with Afghanistan, both countries retained cordial relations up to the 1979 Soviet invasion. Indian development cooperation during this period included technical assistance projects for training of Afghan bureaucrats as well as specific projects such as the Indira Gandhi Children’s Hospital in Kabul built in 1966, the only hospital of its kind in the country at the time of its construction. By the 1970s Afghanistan had become India’s largest development partner within India’s aid program, known at that time as the Indian Technical and Economic Cooperation (ITEC) program.

Political factors greatly influenced Indian development partnership with Afghanistan following the Soviet invasion and until the 2001 defeat of the Taliban government. The 1971 Indo-Soviet Friendship Treaty meant that India’s options of criticizing the Soviet invasion of Afghanistan were limited, leading to a cooling in the Indo-Afghan development partnership during the 1980s. The 1988/89 withdrawal of Soviet troops and cessation of aid from the United States at a time when India itself was undergoing economic adjustments continued the pause in the bilateral development partnership. The rise of the Taliban in the early 1990s led India to slowly engage with the anti-Taliban Northern Alliance in Afghanistan and to withdraw its diplomatic representation from Kabul following the Taliban takeover. India saw the rise of the Taliban regime as fundamentally opposed to its regional security interests. Domestically, India also linked the rise of fundamentalist Islam in Afghanistan to the rise of fundamentalist groups within Indian-administered Kashmir. Security and political motivations thus drove India to coordinate with Iran and the Central Asian states to step up its military and development assistance to the Northern Alliance, including humanitarian and medical help from an Indian-aided and staffed airbase hospital in Farkhor, Tajikistan. The 1999 hijacking of an Indian Airlines flight to Afghanistan led to an increased recognition of the strategic importance of Afghanistan to India and resulted in further logistical, security, and humanitarian development assistance to Northern Alliance in Afghanistan.”
India’s Reengagement in Afghanistan Since the 2001 Ouster of the Taliban Until 2014

In the aftermath of the September 11, 2001 attacks and the U.S. ouster of the Taliban, India was able to build on its established links with the Northern Alliance and reengage politically and through development assistance with the new government in Kabul. This reengagement was motivated by two main factors, one specific to Afghanistan and the other indicative of India’s emerging power ambitions. First, India was driven to engage with Afghanistan and the newly emerging democratic Afghan government for domestic and regional security reasons. India wanted to support a democratic, secular government in Afghanistan and prevent the reemergence of a fundamentalist Islamic regime, since it attributed the rising insecurity within India and the region during the 1990s to the Taliban regime. Indian assistance to rebuilding a stable Afghanistan was seen as key to safeguarding Indian security and economic growth. Second, by the early part of the 21st century India, thanks to a growing economy and an expanding development assistance portfolio, was establishing itself as a regional power with global power ambitions. Increased engagement with its neighbors was seen as a key to continued economic growth, as well as a way to buttress its regional hegemony.

Together these factors drove India to play a more activist role in post-2001 Afghanistan, including through its development assistance program. India’s foreign policy interests in Afghanistan became apparent when it was able to secure political representation in December 2001 at the Bonn talks which set out the political roadmap for Afghanistan. It was in Bonn during the talks that the Chair of the Interim Afghan Administration and eventual President, Hamid Karzai - an Indian university educated man with whom the Indian government had a good rapport - was selected. By the time of Afghanistan’s first president elections in 2004, the Indian economy gained momentum, edging towards double digit growth rates and Indian development assistance to Afghanistan continued to increase. India was in an economic position to pursue its regional and country specific strategic interests in Afghanistan.
Today, India is one of the most important donors to Afghanistan. By 2010 it had become the fifth largest development assistance provider to the country and by far the largest regional donor. Moreover, the 2011 signing of a strategic partnership agreement between the two countries (the first such agreement the post-2001 Afghan government signed with any country), further committed India to supporting the fledgling democratic Afghan government. “India will stand by the people of Afghanistan as they prepare to assume the responsibility for their governance and security after the withdrawal of international forces in 2014,” Indian Prime Minister Manmohan Singh stated at a joint news conference with President Karzai after the signing of the agreement. The agreement committed India to a long-term engagement with Afghanistan and shaped its development assistance to rebuild Afghan infrastructure, institutions, education and technical assistance which aimed at helping Afghanistan to achieve self-sufficiency in various sectors. In 2014, when western governments were decreasing their troop levels as well as their development assistance in Afghanistan, India’s development assistance commitments continued to increase: USD 1.5 billion by 2014 and USD 2 billion by 2017.
Not only in Indian development assistance to Afghanistan today large and significant, particularly in PPP terms. It is also fully grant-based and targets a variety of sectors as seen in figure 3. India’s humanitarian assistance includes the feeding of vitamin-fortified biscuits to two million Afghan school children daily and the free provision of medicines and medical services monthly to over 30,000 Afghans within the country, in addition to expedited visas for Afghans seeking medical treatment in India. Indian assistance to the Afghan infrastructure sector has included the building and equipping of the Afghan parliament building for USD 90 million and financing the construction of the Delaram-Zaranj Highway at a cost of USD 135 million. This highway connects the Iranian border with Afghanistan’s ring road. On the Iranian side of the border it then links to the Iranian Chabahar port being expanded with Indian development assistance, and thereby provides India with a route for exporting to and importing from Afghanistan which does not rely on Pakistan. India has also continued to fund the upgrading of the Indira Gandhi Institute of Child Health hospital and provision of some equipment and medical services and it has built a 400-km power transmission line, which carried electricity to Kabul.
Moreover, Indian development assistance to Afghanistan has included low-cost, unconventional projects that have provided Afghanistan a lot of value, while India in turn has built significant good will in the country. For example, in 2014 as a symbol of their friendship India presented Afghanistan a gift of a supersized 97 by 65 feet Afghan flag, which required a specially constructed 200 feet high flagpole. This flag, which was presented by the Indian foreign minister and co-financed by an Indian billionaire, reportedly cost less than USD 7,000. Political analysts noted the symbolism of India gifting Afghanistan a flag at a time when American troops were drawing down and Afghan leaders, including President Karzai, were vocally questioning Pakistan’s support for a democratic and stable Afghanistan.

In another example of an Indian project that has generated much good will towards India, starting in 2015 India provided a “home” cricket field for the Afghan national cricket team in India and has hosted the Afghan national cricket team’s matches. Cricket has become a popular sport in Afghanistan and the Afghan national cricket team has had a meteoric rise, joining in June 2017 the elite ranks of the dozen country teams that are members of the International Cricket Council. Though India has not released any estimates of the value of providing a home cricket field to Afghanistan, the good will that this development cooperation has generated within Afghanistan is a tribute to India’s ability to leverage its development assistance into significant soft power.

Among the myriad low-cost Indian development assistance programs to Afghanistan, the program that will likely have the longest lasting impact is the Indian Technical and Economic Cooperation (ITEC) program, which was created in 1964. This program includes the deputation of Indian experts abroad, delivery of requested feasibility and consultancy services, donations of equipment, study tours, and, most importantly, the provision of low-cost training and education in English to Afghan government officials and students. India has a general program of providing Afghans with easy to obtain visas for accessing education and health care services, which have enabled many government- and privately-funded Afghans to study in India. India has pushed this comparative advantage in foreign aid. Bolstered by the easily accessible visa program, the ITEC program has trained thousands of Afghan bureaucrats, provided hundreds of vocational education programs, and provided educational scholarships to hundreds of Afghan students since the early part of this century. Among them was former Afghanistan President Karzai, who benefited from an education visa while studying for his masters at the Himachal Pradesh University. Karzai went on to officially visit India fourteen times during his tenure in office and several more times unofficially to see his wife and children who were living there. Other Afghans have received fellowships or scholarships to study in India from the Indian Council of Agricultural Research (ICAR) and the Indian Council for Cultural Relations (ICCR). A new scholarship program was also established in 2016 for children of martyrs of Afghan Security Forces. By 2016, the Indian government was providing between 2,000 to 2,500 such training fellowships and scholarships annually. These training and education scholarships have created professional networks and cultural understanding between Afghan and Indian
government officials, which will pay soft power dividends for India in decades to come.14

Development Assistance to Afghanistan Following the 2014 Change in Government in Both Countries

While Indo-Afghan development cooperation was an important one to Afghanistan, the future of the partnership became less certain in 2014. That year both India and Afghanistan elected new governments, NATO ended its combat mission in Afghanistan, and the United States reduced its forces from a high of 100,000 in 2010 to about 16,000 by the end of 2014 and under 10,000 by mid-2015. As western military presence and donor funding decreased, Afghanistan’s future political and economic development appeared uncertain. The need to increasingly provide for their own security created pressures on the Afghan government to negotiate with the Taliban. Pakistan, which unofficially hosts the Taliban leadership, was seen as key to helping such negotiations. Pakistan, however, is also India’s nemesis, with the two having fought three wars. Any rapprochement between Afghanistan and Pakistan was unlikely to be received well by India. This was the political background against which both India and Afghanistan held elections that ushered in new leaders and which initially seemed to lead to a changed bilateral relationship.

The change of governments, along with the changing political parameters led Afghanistan’s newly elected leader, President Ghani, to engage more deeply with the Pakistan government and seemingly cool the overall relationship with India. Yet despite this initially more distant Indo-Afghan relationship, Indian development assistance to Afghanistan remained stable as seen in Figure 2. India was keen to remain engaged in Afghanistan, especially since the West was seen as decreasing its security and development commitments. Since 2014, India and Prime Minister Modi personally repeatedly assured Afghanistan that India is not a fair-weather development partner, pledging long-term support for Afghanistan’s development.15 Traveling in 2016 to personally inaugurate the Indo-Afghan Friendship Dam in western Afghanistan, Prime Minister Modi stated at the inauguration ceremony “we will be with you every step of the way.”16 The continued steady engagement and commitment to aiding Afghanistan paid off. When Afghanistan became disillusioned in 2016 with Pakistan’s inability to deliver a peace agreement with the Taliban, they again reengaged more closely with India. Fazl Hadi Muslimyar, the speaker of Afghanistan’s upper house of the National Assembly emphasized the close Indo-Afghan ties in 2016, stating that Afghanistan wanted “further ties and friendship with India.”17 Within a couple of year of the politically momentous year 2014, Indo-Afghan development partnership not only remained close, but also took on a heightened importance as Western aid decreased through 2017.
Triangular Cooperation: India in Afghanistan with Traditional Donors

Indian development assistance to conflict-affected Afghanistan is significant in current dollar amounts and even more substantial in PPP terms. It brings with it the comparative advantages of being low-cost and culturally similar, and with a commitment to the Indo-Afghan development partnership that has persisted through changes of government. At a time when traditional, western donors are searching for a sustainable model of development assistance to Afghanistan, and particularly in light of the deteriorating security conditions in the country and the exodus of refugees, it behooves the international community to explore ways of making each dollar of foreign aid stretch as far as it can to deliver better prospects for peace and development in Afghanistan.

One way of making each aid dollar stretch further and be more sustainable is through triangular cooperation where an established donor such as the U.S. works together with a rising donor such as India, to deliver more sustainable aid to a conflict-affected country such as Afghanistan. There are two different types of triangular cooperation, formal and informal, and each of these can involve traditional bilateral or multilateral donors. In the Indo-Afghan case, formal triangular cooperation consists of traditional donors forming an official partnership with India to provide aid in Afghanistan. While several traditional donors have explored such triangular cooperation, to date most examples of such cooperation involve the United States, and there are only a few of them despite the obvious advantages of such foreign aid. One such example builds on several decades of collaboration between the U.S. and India to use technology and science in order to bring low-cost and innovative solutions to farmers in developing countries. By 2017 the U.S. had financed three rounds of training through the United States Agency for International Development (USAID) program known as the Feed the Future India Triangular Training Program. The last training on “Emerging Trends in Fruits and Vegetable Marketing” at the Chaudhary Charan Singh National Institute of Agricultural Marketing (CCS NIAM) was held at the end of 2016 in Jaipur, India during which policymakers and farmers from Afghanistan and other countries received training in new approaches to marketing fruit and vegetables. Another innovative, low-cost triangular aid program is the Afghan Women’s Empowerment Program, a USD 1.5 million, three year (2016-18) partnership between USAID and the Indian NGO Self-Employed Women’s Association’s (SEWA) which will provide vocational education to over 3,000 women in Afghanistan and include skills training from food processing to tailoring. Global Linkages, another triangular cooperation project launched in 2016 between USAID and the Indian government is disseminating twenty Indian best practices and innovations in family planning and maternal and child health care to Afghanistan and other developing countries.

There are also examples of formal triangular cooperation between India, Afghanistan and
multilateral development agencies, as well as de facto triangular cooperation, all of which have helped to deliver low-cost, targeted development assistance in Afghanistan. An example of a well-working triangular cooperation program which has been in operation since 2008 involves India supplying vitamin-fortified biscuits for school feedings which are then distributed by the World Food Program (WFP) in 32 out of 34 provinces in Afghanistan. In 2014-15 this program was able to reach the majority of enrolled students in Afghan schools at a cost of USD 87 million. There are also many instances of de facto triangular cooperation where USAID provides contracts, for example for building of infrastructure in Afghanistan to American companies, who in turn subcontract the actual building of the infrastructure to Indian companies while retaining a substantial overhead for their contracting services. One such example from 2011 involved an USAID contract for the building of a road in Afghanistan, where the American contractor subcontracted an Indian construction company based close to Delhi. The American contractor retained a third of the contract amount as overhead fees, while the Indian subcontractor built the road with a twenty-five percent profit margin.

The Case for More Triangular Cooperation Projects

In an environment of constrained development resources flowing to Afghanistan despite substantial need, formal triangular cooperation agreements with an emerging donor such as India delivers more development project per dollar than traditional bilateral aid from traditional donors to Afghanistan. Triangular cooperation agreements make use of the complementary strengths of both traditional and emerging donors. Emerging donors like India can usually deliver more culturally relevant aid projects at lower cost than traditional donors, while traditional donors have decades of experience and larger dollar aid budgets that they can bring to the table. Rising donors who are from the same region as the recipient country, are also much more likely to stay engaged as development partners than traditional donors who are located further away. A survey by the Organization of Economic Cooperation and Development (OECD) found that the three main reasons given by providers as well as beneficiaries for engaging in triangular cooperation were “learning and sharing experiences with partners of south-south co-operation; responding to partner countries’ demands; and capitalizing on the comparative advantage of south-south co-operation - such as more relevant expertise and technology, and cultural proximity.”

At the strategic level, engaging with emerging donors such as India in conflicted-affected states like Afghanistan is also important both for maintaining a development partnership with emerging donors and for sustaining such partnerships in conflict-affected countries. While middle-income countries no longer rely on or need access to aid from traditional donors, they nevertheless still account for a majority of the world’s poor – China and India alone have half of the world’s poor people. Continuing to stay engaged with these rising middle-income countries makes sense from a
development assistance perspective, since countries like India are still learning what types of
development projects are cost-effective and most likely to be sustainable in similar developmen-
tal settings. It also makes sense from a strategic perspective, especially when the rising donor is
democratic country like India that shares many of the same strategic and developmental objec-
tives for engaging in a conflict-affected country like Afghanistan.

Instead of traditional donors exiting from development assistance relationships with emerging
donors, transitioning to new development triangular partnerships is a way of leveraging the
comparative advantages of both types of donors. It is also an important way of delivering low-
cost development projects to conflict-affected countries, as well as a way of remaining engaged
with emerging donors whose global and strategic importance for conflict-affected countries is
likely to grow.

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